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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

**EX PARTE**

William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Dear Mr. Caton:

Re: *PP Docket No. 93-253, Competitive Bidding*

On behalf of Pacific Bell, please find attached a written ex parte presentation to Chairman Reed E. Hundt concerning the above-referenced proceeding. Please associate this material with that proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



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June 21, 1994

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
Mail Stop 0101  
1919 M Street, N.W., Room 814  
Washington, D.C. 20554

Dear Chairman Hundt:

When we met with you last week, you asked what incentives would encourage Pacific Bell to partner with designated entities to acquire PCS licenses. As we told you, Pacific is actively considering such partnerships but can pursue this strategy only if the FCC's rules are sufficiently flexible to allow us to protect our investment and our brand name, as well as to advance our overall wireless strategy.

Every new entrant into the wireless business will face intense competition, but partnerships between designated entities and established communications companies confront additional problems. Designated entities may be able to obtain 30 MHz licenses, which are broad enough to be useful for high value, mass market PCS services. To operate their systems and market their products successfully, the licensees will need access to the financing and facilities of a large firm, and to its network management capabilities.

From the point of view of a large company partnering with one or more designated entities, the exposure to losses consists of more than just the cash invested. The large partner would use its brand to attract PCS customers, and the value of that brand in other markets would fall if its PCS product performs poorly. This is an important threat to a major corporate asset. Throughout the business world, companies routinely arrange to protect the value of their brand name assets. Just as McDonald's retains the right in its franchise agreements to specify quality controls on its independent franchisees, a communications company with a valuable brand and one or more spectrum suppliers needs to be able to protect its brand and ensure that network standards are met.

The need for flexibility to structure a partnership with designated entities that protects brand names and other investments is the kind of concern that would apply in any industry. While we understand the Commission's concern that excessively loose rules might be exploited to create sham transactions, we urge the Commission to allow sufficient flexibility to structure business relationships that have a chance to succeed.

The Honorable Reed E. Hundt  
June 21, 1994  
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Specifically, the rules should allow a strong contractual relationship that protects both parties. For example, a partnership should be permitted to contract with the non-designated entity partner to construct and operate the physical PCS network under the supervision and control of the designated entity. A contract for a term of years should be permitted, with dismissal for cause only – for example, if the network does not meet performance specifications. Such a structure is similar to relationships that the Commission has allowed in the cellular context.

The Commission should also allow the PCS license holder to wholesale air time to separate designated entity and large firm retailers. This structure would allow the designated entity to run its own retail operation taking advantage of the economies of scale brought by the volume business of the large firm, while allowing the large firm to control the marketing of its own brand name.

Finally, the Commission should adopt favorable financing terms for partnerships with designated entities. We suggest either ten year installment payments without interest, or fifteen year installment payments with interest. Either approach will help encourage established communications businesses to partner with a designated entity.

The wireless market will be intensely competitive and it will be difficult for any participant to succeed. The Commission should take this into account and allow partnering relationships that give sufficient assurance to both participants that their interests will be protected.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alan F. Ciamporero". The signature is fluid and cursive, with the first name "Alan" and last name "Ciamporero" clearly distinguishable.

Alan F. Ciamporero  
Executive Director  
Federal Regulatory Relations

cc: FCC Commissioners  
Robert Pepper  
Evan Kwerel